

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2017-292-WS

In the Matter of)
)
Application of Carolina Water Service,)
Inc. for an Adjustment of Rates and)
Charges and Modifications to Certain)
Terms and Conditions for the Provision of)
Water and Sewer Service)

**REHEARING DIRECT TESTIMONY
OF
MICHAEL R. CARTIN**

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is Michael R. Cartin. I am the Director of External Affairs and Strategy for Carolina Water Service, Inc. ("CWS" or "Company"). My business address is 150 Foster Brothers Drive, West Columbia, SC 29172.

Q. THE COSTS ASSOCIATED WITH THE FRIARSGATE EQ BASIN REMEDIATION WORK PERFORMED BY THE COMPANY PURSUANT TO SCDHEC CONSENT ORDER 16-039-W ARE THE SUBJECT OF REHEARING IN THIS PROCEEDING. BRIEFLY DESCRIBE WHAT THE CONSENT ORDER REQUIRED.

A. As Company Witness Laird more fully describes, the Consent Order required the Company "to remove and properly dispose of the solids and grit from the EQ basin and complete repairs to the EQ basin liner," at the Friarsgate WWTF. As this language suggests, the project consisted of two scopes of work – remediation of the basin and repairs to the liner.

Q. WHEN DID THE COMPANY COMMENCE THE REMEDIATION PROJECT AND HOW LONG DID IT TAKE TO COMPLETE?

A. The project began in September of 2017. Because the remediation work was more involved than originally anticipated, this work was not completed until February 2018.

1 **Q. BEYOND THE SCHEDULE IMPACTS CAUSED BY THE REMEDIATION**
2 **WORK, HAVE THERE BEEN ANY OTHER IMPACTS TO THE REMEDIATION AND**
3 **REPAIR PROJECT SINCE IT COMMENCED IN SEPTEMBER 2017?**

4 **A.** Yes. In November 2017, CWS received notice from the SC Department of Health and
5 Environmental Control (SCDHEC or Department) that both Richland County and the City of
6 Columbia had treatment capacity for the flows from the Friarsgate WWTF. The Department's
7 notice triggered a condition in the Company's NPDES permit for the facility to effect an
8 interconnection with an available regional wastewater service provider. As a result of that notice,
9 the Company entered into discussions with both Richland County and the City of Columbia
10 regarding an interconnection. In late February 2018, the Company chose to proceed with the City
11 of Columbia and the City provided CWS with a letter stating its intention to offer the Company an
12 interconnection agreement.

13 **Q. WHAT ACTIONS DID CWS TAKE IN RESPONSE TO THE CITY'S LETTER OF**
14 **INTENT?**

15 **A.** In March, the Company hired an engineering firm – Goodwyn Mills and Cawood Inc.
16 (GMC) – to advise the Company regarding the appropriate next steps for the repair phase of the
17 project.

18 **Q. WHAT DID GMC ADVISE THE COMPANY?**

19 **A.** As more fully explained in Company Witness Laird's testimony, in April 2018, GMC
20 provided a preliminary recommendation that the interconnection of the Friarsgate WWTF would
21 affect the EQ basin design and, therefore, the EQ basin work scope should be incorporated into
22 the interconnection project.

23 **Q. HOW DID THE COMPANY RESPOND TO GMC'S RECOMMENDATION?**

1 A. CWS agreed with GMC's recommendation and has worked with GMC and the City of
2 Columbia over the past several months to finalize the Interconnection Agreement and develop the
3 scope of work for the interconnection project.

4 **Q. HAS THE COMPANY ENTERED INTO A CONTRACT FOR THE FRIARSGATE**
5 **WWTF INTERCONNECTION PROJECT?**

6 A. No, not yet. We expect to execute a fixed price design-build contract with the
7 GMC/McClam Construction consortium for the interconnection project in late August or early
8 September.

9 **Q. WILL THE DESIGN-BUILD CONTRACT HAVE ANY CONTINGENCIES?**

10 A. Yes. The contract will be contingent upon the approval of the interconnection agreement
11 by this Commission and the approval of the Midlands Region Council of Governments of an
12 amendment to its 208 Water Quality Management Plan for the Central Midlands Region to allow
13 the EQ basin to operate after the decommissioning of the Friarsgate WWTF.

14 **Q. WHEN WILL THE COMPANY SEEK TO RECOVER THE COSTS OF THE**
15 **INTERCONNECTION PROJECT, WHICH NOW ENCOMPASSES THE EQ BASIN**
16 **LINER REPAIR, AND RESULTING PURCHASED SEWER EXPENSE?**

17 A. CWS will seek to recover the costs of the interconnection project and associated purchased
18 sewer expense from the City of Columbia in its next general rate proceeding. No costs associated
19 with the EQ liner repair project phase are included for recovery in this case.

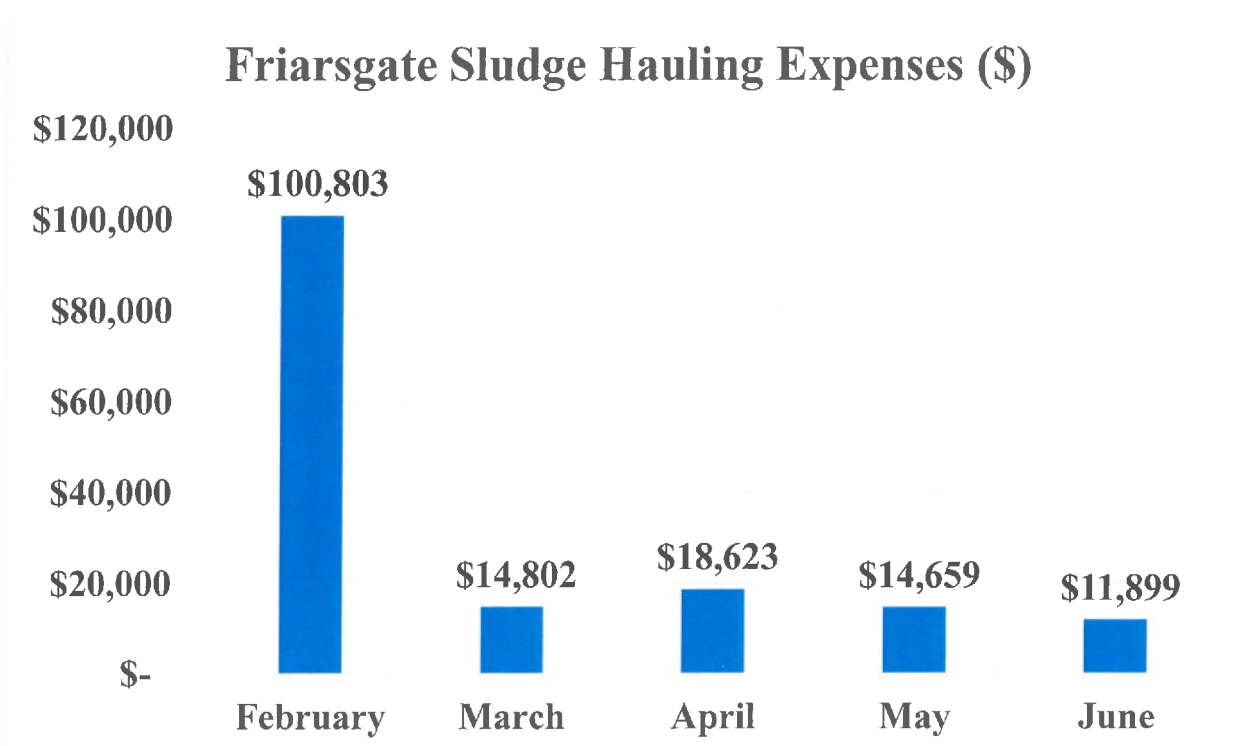
20 **Q. DO YOU BELIEVE THE INTERCONNECTION PROJECT IS IN THE BEST**
21 **INTERESTS OF THE COMPANY'S CUSTOMERS?**

22 A. Yes. The decision to interconnect the Friarsgate WWTF is the result of a collaborative
23 process involving SCDHEC, the City of Columbia and CWS. Although not the subject of this

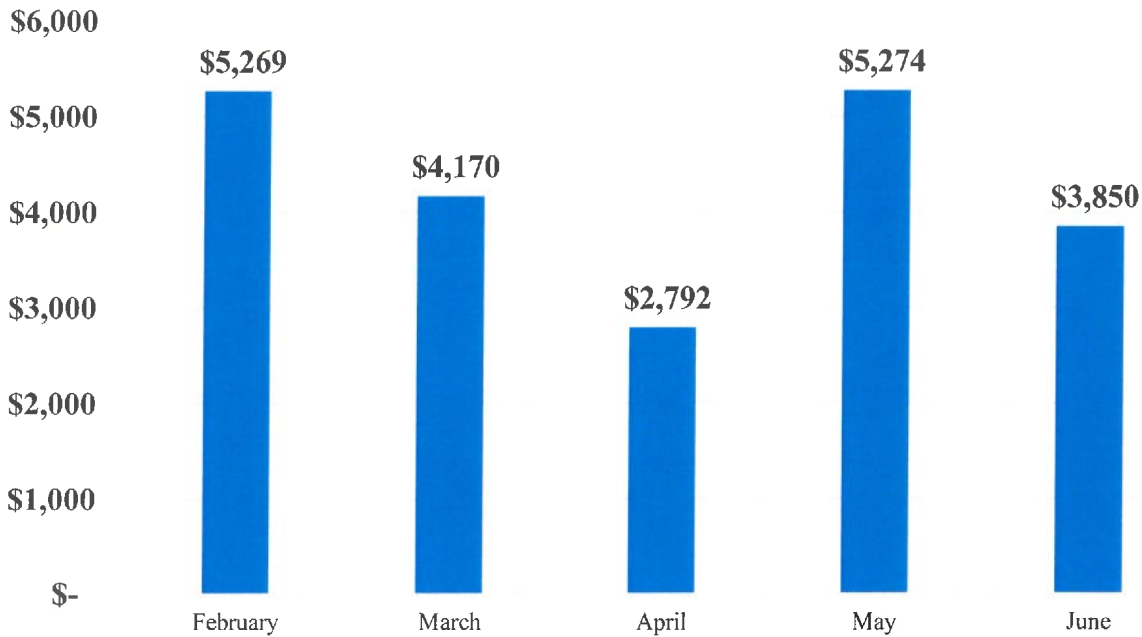
proceeding, we believe the interconnection agreement supports the public policy objectives of regionalization and ensures continued reliable, cost-effective wastewater service for our customers.

Q. THE COMMISSION HAS ASKED THE COMPANY TO UPDATE ITS SLUDGE HAULING EXPENSES FOR THE MOST RECENT PERIOD AVAILABLE. PLEASE PROVIDE THIS UPDATE.

A. The chart below shows the Company's monthly cost to transport sludge during the most recent period available beginning February 1, 2018 through June 30, 2018 (Recent Period).



Watergate Sludge Hauling Expenses (\$)



Q. THE COMPANY'S SLUDGE HAULING EXPENSE APPEARS TO DECREASE IN THE RECENT PERIOD FROM THE TEST YEAR. PLEASE EXPLAIN THIS DECREASE.

A. On February 23, 2018, the Company hired Clearwater Solutions LLC ("Clearwater") to run the Friarsgate WWTF and optimize the plant's operations. As I have previously testified, the December 2016 Consent Order with DHEC required the Company to aggressively manage its sludge inventory at the facility. Clearwater has continued to keep inventories within the parameters set by DHEC, but identified an opportunity to reduce the volume of waste being transported from the plant by utilizing a sludge press to extract excess water from the waste. Because the cost to transport sludge is largely based on volume, use of the sludge press has resulted in lower monthly sludge hauling costs.

Q. DID CWS' DECISION TO OUTSOURCE THE FRIARSGATE WWTF OPERATIONS INCREASE OR DECREASE ITS OPERATIONS AND MAINTENANCE EXPENSE FOR THE PLANT?

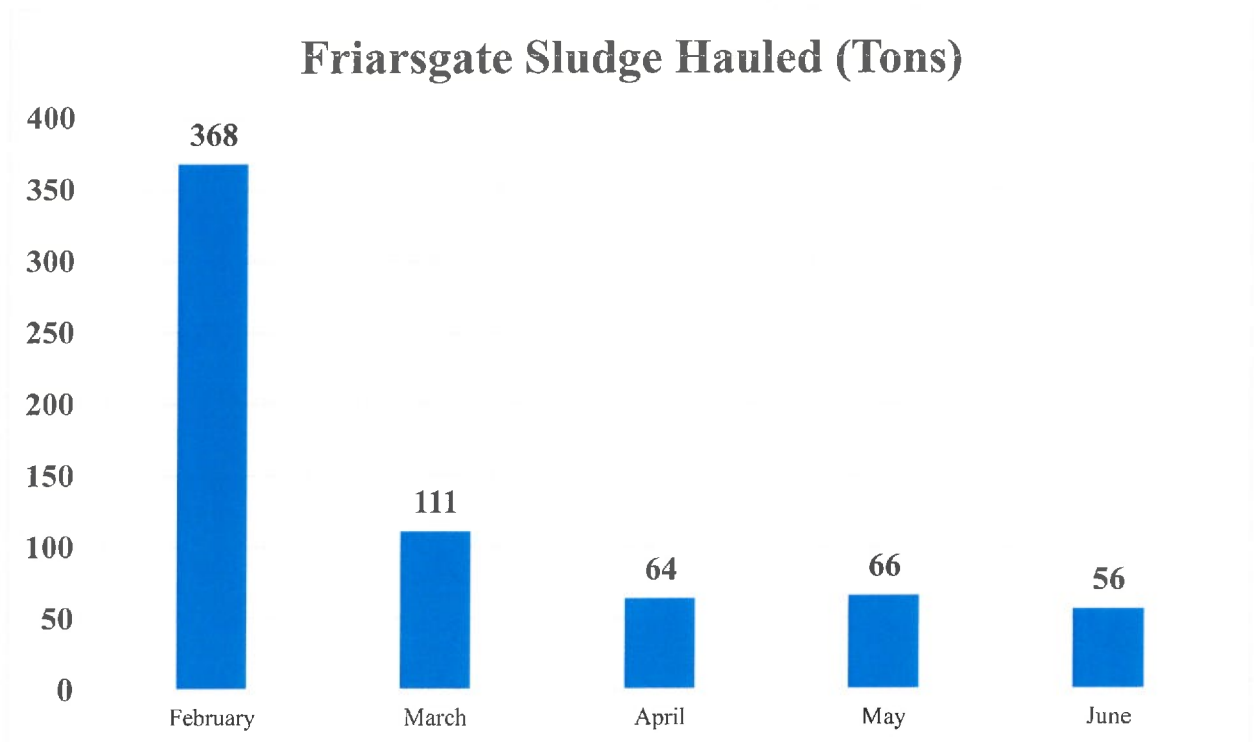
A. The operations and maintenance expense for the facility increased during the Recent Period as a result of the Clearwater contract in the amount of \$19,497.79 per month.

1 **Q. IS THE COMPANY SEEKING TO RECOVER ITS INCREASED OPERATIONS**
 2 **AND MAINTENANCE EXPENSE ASSOCIATED WITH THE CLEARWATER**
 3 **CONTRACT IN THIS CASE?**

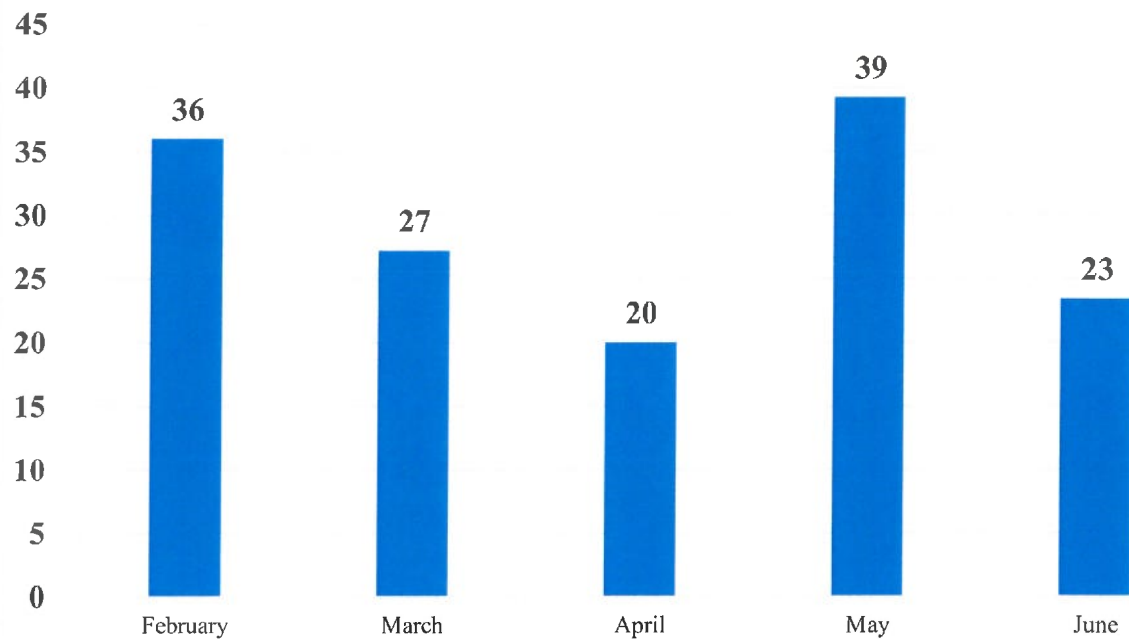
4 **A.** No. Like the sludge hauling expenses during the Recent Period, this operations cost falls
 5 outside the test year for this case and was not known and measurable when the Company's
 6 Application was filed.

7 **Q. PLEASE PROVIDE, ON A MONTHLY BASIS, THE AMOUNT OF SLUDGE**
 8 **HAULED DURING THE RECENT PERIOD.**

9 **A.** The chart below shows the amount of sludge hauled by the Company during the most
 10 Recent Period.



Watergate Sludge Hauled (Tons)



Q. HOW MUCH LITIGATION COST RELATED TO THE COMPANY'S FORMER I-20 WWTF IS CWS SEEKING TO RECOVER IN THIS PROCEEDING?

A. CWS is seeking to recover a total of \$ 992,989.14 over a period of 66 years, which equates to an increase in the annual revenue requirement of \$14,894.84. The Company is not asking to recover a return on these costs.

Q. DOES THIS AMOUNT DIFFER FROM THE TOTAL PREVIOUSLY REQUESTED FOR I-20 RELATED LEGAL EXPENSES BY THE COMPANY IN ITS EARLIER TESTIMONY?

A. Yes, the original amount was \$ 998,606.14. The difference from the revised amount of \$5,617 reflects the removal of certain charges contained on three invoices, which were incorrectly coded to the I-20 WWTF.

1 **Q. PLEASE BREAK DOWN THE I-20 LITIGATION-RELATED COSTS**
 2 **ACCORDING TO THE DIFFERENT THE LEGAL MATTERS WHICH COMPRISE**
 3 **THE TOTAL.**

4 **A.** The table below lists the different legal proceedings for which the Company has engaged
 5 legal counsel to represent its interests:

Case	Hours	Cost
CRK v. CWS	1,546	\$ 396,676.75
Town of Lexington v. CWS (condemnation)	252	\$ 78,482.00
ALC - DHEC Permit Denial	846	\$ 233,223.00
ALC - I-20 Connection	194	\$ 51,039.00
CWS v. EPA	581	\$ 146,420.25
Total	3,419	\$ 905,841.00
	-	-
Expenses		\$ 12,319.91
Advances		\$ 74,828.23
Total from Breakdown of Costs		\$ 992,989.14

6
 7 **Q. HOW DID THE COMPANY COMPILE THIS COST SUMMARY?**

8 **A.** The Company worked with the legal counsel that submitted bills to CWS relating to the I-
 9 20 WWTF to review each invoice to determine which fee entries related to which proceeding and
 10 then summed the individual case totals.

11 **Q. IS CWS PROVIDING TESTIMONY IN SUPPORT OF THE REASONABLENESS**
 12 **OF ITS I-20 RELATED LITIGATION COSTS?**

13 **A.** Yes, Company Rehearing Witness Babcock addresses the reasonableness of the legal fees
 14 incurred by CWS in the representation of its interests in the five above-listed matters.

15 **Q. DOES THIS CONCLUDE YOUR REHEARING DIRECT TESTIMONY?**

16 **A.** Yes.